THE MINISTER OF STATE IN THE MINISTRY OF CIVIL AVIATION (SHRI SHRIPAD YESSO NAIK): (a) and (b) Government of Maharashtra has sent a proposal to develop Nagpur Airport as Multi-modal International Passenger and Cargo Hub. The State Government has carried out preliminary study through Maharashtra State Road Development Corporation (MSRDC). There are proposals to take up non-metro airports to upgrade their facilities to international standards. The proposal envisages commercial development of city side facilities at airports. All air side areas and activities will continue to be retained by Airports Authority of India. Security and safety will be as per the Government's regulations. AAI propose to participate in joint ventures with private investors for development of passenger terminals and other city side facilities at these airports. AAI is willing to consider development of Nagpur airport on these lines. The proposals are at preliminary stage. No concrete decision has yet been taken on this concept. Besides, the amendment to Airports Authority of India Act to enable construction/development of airports with private sector participation is also under process.

Norms for Central assistance to State Governments

18. SHRI MOOLCHAND MEENA:
DR. T. SUBBARAMI REDDY:

Will the Minister of FINANCE AND COMPANY AFFAIRS be pleased to state:

(a) whether any final decision has been taken by the Central Government to review the norms regarding Central assistance to State Governments;

(b) if so, whether any concrete policy in relation to loan and grant components, interest rates and the pattern of assistance under externally-aided schemes has been prepared;

(c) to what extent these morms have been reviewed;

(d) to what extent it will be helpful to the States; and

(e) whether some of the Chief Ministers have asked the Central Government not to reward non-performing States with higher financial assistance and to limit incentives and reward to the performing ones?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE AND COMPANY AFFAIRS (SHRI ANANDRAO VITHOBA ADSUL): (a) No, Sir.

(b) to (d) Do not arise.

(e) Some of the Chief Ministers raised this issue before the Eleventh Finance Commission and the meeting of National Development Council.

Effect of Iraqi war on economy

19. DR. MANMOHAN SINGH: Will the Minister of FINANCE AND COMPANY AFFAIRS be pleased to state:

(a) whether Government have made any assessment of the likely effects of a possible war in Iraq on the Indian economy; and

(b) if so, what are the main findings thereof?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE AND COMPANY AFFAIRS (SHRI ANANDRAO VITHOBA ADSUL): (a) and (b) The impact of possible war in Iraq on Indian economy will depend critically on the duration of conflict. Assuming a short and swift course, with a decisive US victory, the major impact would be on international crude oil prices, where in the country is well equipped to finance higher import bill in the event of a steep escalation of global oil prices or other exogenous developments. While there may be a temporary set back to our exports of goods and services to the gulf region, overall exports are unlikely to be affected too long. Remittances from the gulf region may also go down temporarily, the decline being preceded by a probable increase in remittances in anticipation of the conflict. With an observed tendency for a surplus in current account and comfortable foreign exchange reserves at more than $ 70 billion, vulnerability of balance of payments to such changes, however, appears to be limited in the short run.

Considering the current inflation rate and level of foodstocks, the impact on domestic inflation will be temporary, with hike in oil prices unlikely to result in any sharp surge in domestic inflation, Capital